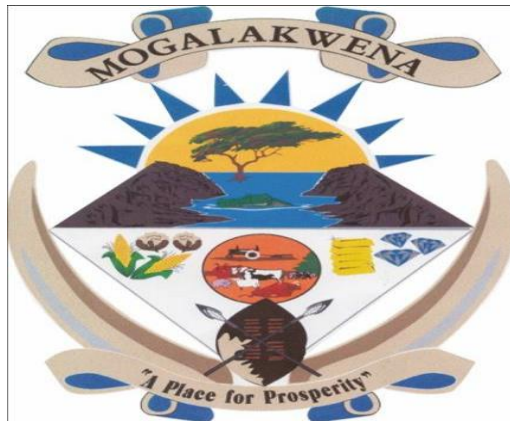


291.
29.05.18

FINAL BUDGET OF MOGALAKWENA LOCAL MUNICIPALITY



2018/19 TO 2020/21 FINAL MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

292.
29.05.18

Table of Contents

PART 1 – ANNUAL BUDGET

- 1.1 Mayor's Report
- 1.2 Council Resolutions
- 1.3 Executive Summary
- 1.4 Operating Revenue Framework
- 1.5 Operating Expenditure Framework
- 1.6 Capital Expenditure
- 1.7 Annual Budget Tables

PART 2 – SUPPORTING DOCUMENTATION

- 2.1 Overview of the Annual Budget Process
- 2.2 Overview of Alignment of Annual Budget and IDP
- 2.3 Measurable Performance Objectives and Indicators
- 2.4 Overview of Budget Related Policies
- 2.5 Overview of Budget Assumptions
- 2.6 Overview of Budget Funding
- 2.7 Expenditure on Grants and Reconciliations of Unspent Funds
- 2.8 Councillor and Employee Benefits
- 2.9 Monthly Targets for Revenue, Expenditure and Cash Flow
- 2.10 Annual Budgets and SDBIP
- 2.11 Contracts Having Future Budgetary Implications
- 2.12 Capital Expenditure Details
- 2.13 Legislation Compliance Status
- 2.14 Other Supporting Documents
- 2.15 Municipal Manager's Quality Certificate

Part 1 – Annual Budget

1.1 Mayor's Report

The Mayor will present her report separately in the council meeting to be held on 29 May 2018.

The speech will be attached to the minutes of the council meeting.

1.2 Council Resolutions

- The final budget related resolutions will form part of the budget document after submission of the final budget to council.
- a) The acting municipal manager will submit the electronic budget documents and the corresponding electronic returns by Tuesday, 12 June 2018 to National and provincial treasuries. The hard copies including council resolutions will also be submitted by Tuesday, 12 June 2018 in terms of MFMA circular 91.

1.3 Executive Summary

The municipality's priorities and linkages to the Integrated Development Plan

The political priorities of Mogalakwena municipality are as follows:

- Water and Sanitation
- Roads and Storm water
- LED and Unemployment
- Electricity
- Institutional Arrangements
- Refuse and Solid waste management
- Land & Environment
- Housing
- Crime and Prevention, Safety & Security
- Health & Welfare
- Communication
- Education
- Sports, Arts and Culture
- Community Facilities
- Transport

294.
29.05.18

Mogalakwena is responsible for the provision of the following services to 82 675 households:

- Water and Sanitation
- Roads and Storm water
- Refuse Removal
- Electricity Distribution

The priorities are linked to the final IDP as outlined in the detailed Capital Investment Programme from 2018/19 to 2020/21.

Key amendments to the Integrated Development Plan

Section 25 of MSA requires that each Municipal Council must adopt a single, inclusive and strategic plan for the development of the municipality. This plan must link, integrate and co-ordinate plans and it should take into account proposals for the development of the municipality.

Section 34 provides that the IDP must be reviewed annually and amended if necessary. It is clear from the budget that stringent budget control must be implemented in order to sustain the viability of the municipality.

Alignment with national, provincial and district priorities

The priorities of Mogalakwena municipality were aligned with that of national, provincial government and the district municipality.

Strategic Objectives:

The following key strategic objectives for the municipality shall provide direction to the planning and implementation process as well as to inform the operations of the municipality:

OBJECTIVES	OUTCOMES
1. Foster, regulate, maintain and promote a sustainable environment	Improved quality of life and protected natural resources for future generations
2. Improve the quality of life through social development and the provision of effective community services	Developed community
3. Sound and efficient financial management	Sustainable financial viability
4. To create inclusive and well-coordinated investment opportunities for the growth of the economy	Reduced poverty
5. The optimum utilization of land	Coordinated rational regulated and orderly land development and utilization

295.
29.05.18

OBJECTIVES	OUTCOMES
6. To improve the quality and quantity of municipal infrastructure and services	Enhanced and sustainable socio economic growth
7. To develop and implement integrated management and governance systems	Accountable and good governance – clean audits
8. To ensure that all stakeholders within the institution are adequately capacitated and retained	Competent and productive workforce

Key demographic, economic and other assumptions

Demographic overview

According to the Community Survey 2016, Mogalakwena Municipality contains over 43% of the Waterberg district's population with a total population of 325 291 and 82 675 households. The Africans are in majority (315 814) and constitute approximately 97% of the total Mogalakwena municipality population. The white population is 7222, coloured population is 500 and the Indian/Asian population is 1756. Just over 53% of the population is females. The table below compares municipal demographics per racial group and sex.

Table 1 : Population by racial group and sex

POPULATION GROUP	MALES		FEMALES		TOTAL		2016 SURVEY
	NUMBER OF PERSONS	PERCENTAGE OF POPULATION	NUMBER OF PERSONS	PERCENTAGE OF POPULATION	NUMBER OF TOTAL POPULATION	PERCENTAGE OF TOTAL POPULATION	% OF THE POPULATION IN WATERBERG DISTRICT
Black African	147 791	96.9%	168 024	97.3%	315 814	97.1%	46.4%
White	3 567	2.3%	3 654	2.1%	7 222	2.2%	12.0%
Coloured	314	0.2%	185	0.1%	500	0.2%	22.0%
Indian/Asian	887	0.6%	868	0.5%	1 756	0.5%	65.7%
Total Population	152 559	100%	172 732	100%	325 291	100%	43.6%

Source: StatsSA Community Survey 2016

296.
29.05.18

Interpretation and Implications to the developmental mandate of the Municipality

Figures from the 2016 Community Survey indicate a population increase of 5.7 % (about 17 611) from the situation in 2011. The Municipality renders services to households and therefore adopts the layman's view that the number of households has increased significantly between 2011 and 2016. The increase in the number of households, particularly in the rural areas where there are minimal services has increased backlogs in electricity provision, housing needs, roads, access to water, sanitation needs, etc. There are arbitrary differences in figures with regard to racial groups' representations. Although racial integration is gradually being achieved through some blacks moving from the traditional black towns and rural areas to settle in Mokopane, there is a widening gap between the rich and the poor. Racial segregation is replaced by socio-economic segregation. There is therefore a need to speed up integrated human settlement in order to proactively address resultant social ills (such as crime, and skewed unsustainable development).

Table 2 Population distribution according to age

	0 – 4	5 – 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 – 44
NUMBER OF RESIDENTS PER AGE GROUP	48 845	44 324	36 727	30 040	27 313	23 831	19 055	15 231	14 415
	45 - 49	50 - 54	55 – 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 +
	12 891	11 902	10 137	8 960	7 152	6 004	4 263	2 052	2 149

Source: StatsSA Community Survey 2016

The majority of the population is aged between 0 and 19 followed by those aged between 20 and 34, which suggests that the municipality is dominated by people who are both socially and economically active. In addition, the municipal area has a high dependency ratio due to the majority of the population aged between 0-19. However, the Municipality has to prioritize social programmes and projects which will be able to address the socio-economic needs of the people. For example, there is a need to increase the number and improve the quality of social amenities in the municipal area, preferably within the municipal growth points. Attention should also be paid to local economic development initiatives in these population concentration points.

The StatsSA Community Census was unable to provide economic data on employment and income statistic, therefore we have utilized the 2011 Census data for these tables.

Number of residents per income type	No income		R1 - R400		R401 - R800		R801 - R1 600		R1 601 - R3 200		R3 201 - R6 400	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
	1 028	132 367	7 158	83 069	8 135	8 658	7 240	41 578	6 146	10 729	4 958	7 126
	R6 401 - R12 800		R12 801 - R25 600		R25 601 - R51 200		R51 201 - R102 400		R102 401 - R204 800		R204 801 or more	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
	1 711	6 538	466	1 771	144	175	65	149	18	85	11	328

Source: StatsSA Census 2001 & 2011

297.
29.05.18

Economic overview

Table 3: Employment Status, 2001 vs. 2011

GENDER	EMPLOYED		UNEMPLOYED		NOT ECONOMICALLY ACTIVE	
	2001	2011	2001	2011	2001	2011
FEMALE	16 345	21 358	19 172	17 833	56 353	59 600
MALE	20 744	25 679	14 526	13 777	37 919	51 396

Source: StatsSA Census 2001 & 2011

One of the key social problems facing the Mogalakwena Municipality is poverty. The unemployment rate in the Municipality is 40.2% of the economically active population (people between the ages of 15 and 64 years). Women, and especially rural women, form the greatest number affected by the lack of job opportunities as well as other social problems. Adding to the unemployment statistics is the increasing number of graduates unable to find employment. The internships offered by the government and private sectors only offer a temporary solution to the problem. General education levels are low, as income earned by low-skilled laborers is lower than income earned by highly skilled workers. Since education levels are low, income earned is concentrated in the lower brackets, which suggests that the general population is poor. In addition due to the high rate of unemployment there is a tremendous amount of people who have no income and hence, poverty is a major problem in the municipal area.

Other assumptions

NERSA has issued a proposal indicating an average increase of 7.32% on electricity for the 2018/2019 financial year. The implementation of the tariff is subject to final confirmation of the percentage by NERSA.

The tariff increase for water is based on an 8% projection by Lepelle-Northern Water. The municipality has received a letter from Lepelle Northern Water and the Minister of Water and Sanitation confirming the tariff of 8%.

Progress with provision of basic services

Access to services

Service	No of households having services	Backlog
Water (RDP level)	70 344	12 331
Electricity	72 691	9 984
Refuse removal	32 305	50 370
Sanitation	42 911	39 764

298.

29.05.18

Indigent welfare packages for 2018/19:

Package Indigent	Compilation for	17/18 R(Vat excluded)	18/19 R(Vat excluded)
Rates – R100 000			
Valuation		45.71	48.45
Refuse (up to 500 m2)		55.90	59.25
Sewerage (up to 500 m2)		30.51	32.34
Electricity – 50kwh		42.79	45.72
Water – 6kl		85.75	92.61
Total indigent package per month		260.66	278.37

Free and subsidized services provided to the following number of households:

Water	2 496
Electricity	2 496
Sanitation	2 496
Refuse Removal	2 496
Rural Sanitation	0
Rates	2 496

It should be noted that only indigents received 50kwh of free basic electricity. This status quo will remain as such in the 2018/19 financial year. Due to financial constraints the 6kl of free basic water will also only be available to indigents. This will be implemented from 1 July 2018.

Service charges and other fees and charges

Service	% increase
Water	8
Electricity	6.84
Refuse removal	6
Property rate	6
Sewerage	6

299.
29.05.18

The effect of the annual budget

The demand on the municipality in terms of service delivery continues to grow and this results in an ever-increasing outflow on the resources at the disposal of the municipality. The following factors will continue to put constraints on the municipality's 2018/2019 budget:

- The municipality has budgeted for an 8% increase in employee salaries.
- The job evaluation is still in progress. R30 million will be ring-fenced from the reserves for the implementation of the job evaluation outcome
- Excessive water and electricity losses put a burden on the municipality as it is revenue that is uncollectable.
- A Revenue Enhancement Strategy has been drafted and needs to be implemented in order to generate the projected revenue for the 2018/2019 to 2020/2021 financial year.

The following table is a summary of the total budget:

	2018/2019	2019/2020	2020/2021
Total income	-1 233 750 508	1 464 325 466	1 567 042 624
Total operating expenditure	954 363 492	1 023 013 645	1 081 028 501
Operating surplus	-279 387 016	-441 311 821	-486 014 123
Changes in net assets	277 416 000	432 175 000	448 606 000
Closing (Surplus) /Deficit	-1 971 016	-9 136 821	-37 408 123

Past performance and impact of the previous year's audited results and annual report

Mogalakwena Municipality obtained an adverse audit opinion in the 2016/2017 financial year. Major issues that led to the unfavourable audit opinion are:

- Property Plant & Equipment
- Revenue from non-exchange transactions
- Revenue from exchange transactions
- Expenditure Management
- Irregular expenditure
- Statement of comparison of budget and actual amounts
- Commitments
- Prior year adjustment
- Supply chain management issues

An audit action plan has been finalized to address issues raised by the Auditor General. It is currently being implemented. Some of the queries are in the process of being addressed and some can only be addressed as part of year-end processes. The action plan is meant to improve the audit opinion for the 2017/2018 financial year.

300.
29.05.18

Consolidated financial position and summary medium term revenue and expenditure strategy

The sustainability of the municipality will be adversely affected in the long-term if debt collection is not improved. The municipality no longer has reserves to invest in critical infrastructure capital projects and therefore service delivery will be adversely affected in 2018/2019.

1.4 Operating Revenue Framework

1.4.1 Grant allocations

The Division of Revenue Bill allocations to Mogalakwena Municipality for the 2018/2019 to 2020/2021 financial years are as follows:

Grant allocations over the MTREF

Grant type	2018/2019 (R'000)	2019/2020 (R'000)	2020/2021 (R'000)
Equitable Share	395 279	430 255	466 088
Finance Management Grant	1 770	1 770	1 770
Municipal Infrastructure Grant	153 114	156 417	165 556
Water Service Infrastructure Grant	40 000	70 000	73 850
Regional Bulk Infrastructure Grant	70 000	183 558	195 000
Integrated National Electrification Grant	12 302	19 200	19 200
EPWP	1 537	0	0
Total Grant Funding	674 002	861 200	921 464

Supporting **Table SA 18, 19 and 20** is attached as pages 383 to 385.

1.4.2 Summary of Operating Income

The following table gives a breakdown of the income categories for the 2018/19 to 2020/21 financial years:

Description	Medium-Term Revenue & Expenditure Framework		
	2018/19	2019/20	2020/21
Operating Income			
Property rates	76 923 701	83 060 460	89 687 218
Sale of electricity	267 029 200	288 378 737	304 657 262
Sale of water	77 091 152	84 800 265	93 280 292
Sewerage	26 274 866	28 376 854	30 647 005
Refuse	16 143 155	17 434 608	18 829 375

301.
29.05.18

Rent facilities and equipment	1 611 384	1 740 293	1 879 518
Interest earned – external investments	42 138 688	45 509 784	49 150 566
Interest earned – outstanding debtors	3 410 880	3 667 186	3 996 175
Dividends received	-	-	-
Fines	6 470 141	6 987 751	7 546 771
Licenses and permits	9 837 677	10 624 691	11 474 667
Income for agency	-	-	-
Operating grants and subsidies	403 838 848	437 024 996	472 857 997
Capital grants and subsidies	279 350 977	433 601 400	458 550 852
Other income	3 518 278	3 799 744	4 103 701
Public contributions and donations	-	-	-
Profit on sale of land	20 111 561	19 318 697	20 381 225
Total Operating Income	1 233 750 508	1 464 325 466	1 567 042 624

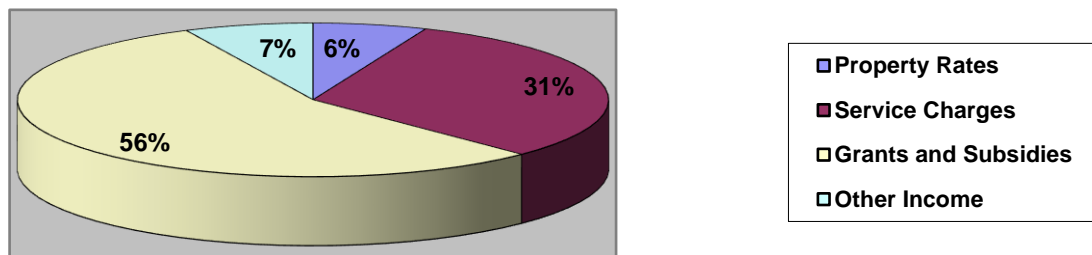


Figure 1 -Main Operational Income Categories

1.4.3 Rates tariffs and other charges

Proposed tariff increases for the 2017/18 to 2019/20 financial years with prior comparatives are the following:

Description	2017/18	2018/19	2019/20	2020/2021
Rates	6%	6%	6%	6%
Refuse	6%	6%	6%	6%
Sewerage	6%	6%	6%	6%
Water	8.5%	8%	9%	9%
Electricity	1.88%	6.84%	7.5%	9%
Average Increase	5.67%	6.57%	6.9%	7.2%

302.

29.05.18

- The electricity tariff increase for 2018/19 as per the proposal received from NERSA is 6.84%. The municipality is still awaiting a letter from NERSA confirming the tariff.
- The water tariff increase for the 2018/19 as per Lepelle-Northern Water is 8%. The municipality has received confirmation of the tariff from Lepelle-Northern Water and the Minister of Water and Sanitation.

14.3.1 Water tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of water supply for 2018/19 financial year:

- The Lepelle Northern Water (LNW) has proposed to increase their tariffs by 8% in 2018/19 financial year.
- The LNW 8% increase on its bulk tariff from 6.75c to 7.29c per kl (excluding VAT and the Water Research commission levy).
- It is estimated that water to the amount of R 32 374 498-will be purchased from LNW and other service providers in 2018/19 financial year.

A total revenue of R 77 091 152 is expected from water sales.

- The budgeted revenue is based on connection fees, defaulting fees, monthly consumption of water and testing of meters.
- From 01 July 2018 only indigents will receive the 6kl of free basic water. All other residents will pay from the first litre of consumption. 6kl of water will continue to be provided for funerals at no cost to the person requesting the service.
- Consumers in villages will receive Free Basic Water through assistance from council to pay Eskom, repair broken boreholes and pay pump operators.

303.
29.05.18

The following recommended tariff structure for water for 2018/19 compared to 2017/18:

Type Consumer	Type Scale	Intervals	17/18	18/19
			Per Kilolitre	Per Kilolitre
Domestic:	Gliding scale	0 – 10 kl 11 – 50 kl 51 – 100 kl 101 > kl	Vat Inclusive	Vat Inclusive
			13.96	15.21
			14.82	16.15
			17.83	19.43
			29.67	32.32
Businesses:	Normal		14.82	16.15
Flats:	Normal		14.82	16.15
Industrial:	Normal		14.82	16.15
Provincial Hospitals	Normal		13.96	15.21
Schools Churches Hostels Sport clubs	Normal		14.82	16.15
Departmental	Normal		14.82	16.15
Defaulting	Normal		-	-

The abovementioned tariffs are subject to a 20% discount for unpurified borehole water as drinking water supplied to Rebone Township.

Prepaid water tariffs are calculated at the same rates as conventional meters.

Examples of monthly water consumption charges:

Consumption KL	Current monthly account	Proposed monthly account	Additional amount payable	Increase
	R	R	R	R
10	55.84	152.10	96.26	8%
42	530.08	668.90	138.82	8%
75	1094.39	1283.85	189.46	8%
110	1836.84	2092.80	255.96	8%

304.
29.05.18

1.4.3.2 Sewage tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of sewage for 2017/18:

- A tariff increase of 6% is included in the final 2018/19 MTREF
- The free basic sanitation is provided for indigents only

The following recommended tariff structure for sewerage for 2018/19 compared to 2017/18:

		17/18		18/19	
TYPE CONSUMER	SIZE OF ERF	BASIC vat inclusive	ADD- ITIONAL vat inclusive	BASIC VAT inclusive	ADD- ITIONAL vat inclusive
1. Residential	0-500	30.50		32.61	
	Houses	501-1000	61.17	65.41	
		1001-1500	97.74	104.51	
		1501-2000	110.01	117.63	
		2001-2500	122.23	130.70	
		2501-3000	134.44	143.76	
	First 3000 Every additional 500	12.21		13.06	
2.	Churches	0-500	30.50	25.84	27.63
	Hospitals	501-1000	61.17	25.84	27.63
	Creches	1001-1500	97.74	25.84	27.63
	Schools	1501-2000	110.01	25.84	27.63
	Sport clubs	2001-2500	122.23	25.84	27.63
		2501-3000	134.44	25.84	27.63
	First 3000 Every additional 500	12.21	25.84	13.06	27.63
3.	Other:				
	3.1 Businesses	Irrespective	323.85	82.47	88.19
	3.2 Industrial	Irrespective	323.85	82.47	88.19
	3.3 Flats	Irrespective	323.85	88.48	94.61
	3.4 Hostels	Irrespective	323.85	63.06	67.43
	3.5 Boarding house	Irrespective	323.85	63.06	67.43
	3.6 Departmental	Irrespective	323.85	82.47	88.19

305.
29.05.18

Examples of sewerage tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	30.50	32.61	2.11	6
1600	110.01	117.63	7.62	6
3500	146.65	156.82	10.17	6
Business	323.85	346.29	22.44	6

1.4.3.3 Refuse Removal

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of refuse removal for 2017/18:

The following recommended tariff structure for refuse removal for 2018/19 compared to 2017/18 financial year:

		17/18		18/19	
TYPE CONSUMER	SIZE OF ERF	BASIC vat inclusive	ADD-ITIONAL vat inclusive	BASIC vat inclusive	ADD-ITIONAL vat inclusive
Domestic	Residential houses	0-500	55.90	59.77	
	Churches	501-1000	81.71	87.37	
	Church halls	1001-1500	111.50	119.23	
	Residential erven which are being build on	1501-Above	120.15	128.48	
		Per	Bulk	Per	Bulk
		Container	Container	Container	Container
Commercial	Businesses	Irrespective	214.37	229.23	1528.84
	Industrial	Irrespective	214.37	229.23	1528.84
Other	Municipality	Irrespective	111.50	119.23	1528.84
	Flats	Irrespective	111.50	119.23	1528.84
	Old Age Homes	Irrespective	111.50	119.23	1528.84
	Hostels	Irrespective	111.50	119.23	1528.84
	Boarding houses	Irrespective	111.50	119.23	1528.84
	Schools	Irrespective	111.50	119.23	1528.84
	Hospitals	Irrespective	111.50	119.23	1528.84
	Government	Irrespective	111.50	119.23	1528.84

306.
29.05.18

	Sport Organisations	Irrespective	111.50	1,429.76	119.23	1528.84
	Charity Organisations	Irrespective	111.50	1,429.76	119.23	1528.84
	Other	Irrespective	111.50	1,429.76	119.23	1528.84
Bulk	Per load or part thereof		459.14		490.96	

Example of monthly refuse tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	55.90	59.77	3.87	6
950	81.71	87.37	5.66	6
1200	111.50	119.23	7.73	6
1550	120.15	128.48	8.33	6
Business	214.37	229.23	14.86	6

1.4.3.4 Property Rate Tariff

Property rates are mainly used to provide funds for non-remunerative services such as the cost of governance and administration of council, financial services, sport and recreation facilities. These funds also pay for the costs of maintaining an orderly community, for an example, as far as traffic, safety, trade, industries, health, roads and parks are concerned.

Depending on circumstances at a given moment, a rate payer may make use of these collective services to a greater or lesser degree. Given this kind of collective service, the provision must be financed by a general tax unlike the specific charge of measurable services such as water and electricity.

Annexure to MFMA Circular 51 as well as Government Gazette 33016, also known as the “*Amended Municipal Property Rates Regulations on the Rate Ratios between Residential and Non-Residential Properties*” were published to achieve national uniformity regarding property taxes.

Two factors determine the amount that the property owner must pay to a local authority for assessment rates: Firstly, the assessed value of the property and secondly, the effective assessment rate. Due to the implementation of the MPRA a new tariff structure has been formulated. The calculation is based on the market value of the property.

307.
29.05.18

The applicable tariff on 1 July 2018 is 0.011401c (residential) (1 July 2017 – 0,010756c) and 0,023018c (1 July 2017 – 0,021715c) (business, commercial, industrial and mining) and 0,002850c (1 July 2017 – 0,002689c) (agriculture, state owned property excluding residential, public service infrastructure, public benefit organization property) in the Rand.

The table below reflects assessment rates compared to total expenditure:

Year	Operating Budget ('000)	Rates ('000)	%
2017/2018	885 064	73 201	8.27%
2018/2019	954 363	76 924	8.06%
2019/2020	1 023 014	83 060	8.12%
2020/2021	1 081 029	89 687	8.30%

The following recommended tariff structure for Property Tax for 2018/19 compared to 2017/18 financial year:

TYPE	TARIFF CODE	17/18		18/19	
		CENT IN RAND	% DISCOUNT	CENT IN RAND	% DISCOUNT
1.Improved residential stands	VA771	0.010756	40.00	0.011401	40.00
2. Improved business stands	VA772	0.021715	0.00	0.023018	0.00
3. Pensioners as rate policy	VAIND	0.010756	100.00	0.011401	100.00
4. Pensioners as rate policy	VAIND	0.010756	100.00	0.011401	100.00
5. State owned properties	VA775	0.002689	30.00	0.002850	30.00
6. Improved flats	VA776	0.010756	40.00	0.011401	40.00
7. Developed erven industrial	VA777	0.021715	0.00	0.023018	0.00
8. Undeveloped erven	VA778	0.021715	0.00	0.023018	0.00
9. Municipality	VA779	0.000000	0.00	0.000000	0.00
10. Undeveloped business erven	VA780	0.021715	0.00	0.023018	0.00
11. Permission to do business on residential erven	VA781	0.021715	0.00	0.023018	0.00
12. Undeveloped industrial	VA782	0.021715	0.00	0.023018	0.00
13. Undeveloped flat erven	VA783	0.021715	0.00	0.023018	0.00
14. Private parks	VA788	0.002689	0.00	0.002850	0.00
15. Private streets	VA789	0.002689	0.00	0.002850	0.00
16. Agricultural fields (Macalacaskop)	VA790	0.002689	0.00	0.002850	0.00
17. Welfare organizations, Hospitals, Clinics etc	VA791	0.002689	100.00	0.002850	100.00

308.
29.05.18

Agricultural

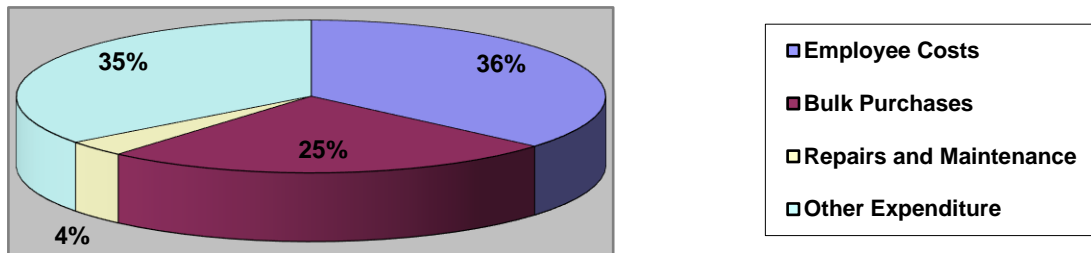
TYPE	TARIFF CODE	17/18		18/19	
		CENT IN RAND	% DISCOUNT	CENT IN RAND	% DISCOUNT
1. Residential	VA5771	0.002689	0.00	0.002850	0.00
2. Business, Commercial, Ecotourism, game hunting	VA5772	0.002689	0.00	0.002850	0.00
3. Pensioners as rate policy	VA5773	0.002689	100.00	0.002850	100.00
4. Pensioners as rate policy	VA5774	0.002689	100.00	0.002850	100.00
5. State owned properties	VA5775	0.002689	0.00	0.002850	0.00
6. Industrial, agricultural holdings	VA5776	0.002689	0.00	0.002850	0.00
7. Undeveloped	VA5777	0.002689	0.00	0.002850	0.00
8. Municipality	VA5778	0.000000	0.00	0.000000	0.00
9. Mining	VA5779	0.021715	0.00	0.023018	0.00
10. Welfare organization, Hospitals, Clinics etc	VA5780	0.002689	100.00	0.002850	100.00

1.5 Operating Expenditure Framework

The following table gives a breakdown of the expenditure categories for the 2018/19 financial year:

Description	Medium-Term Revenue & Expenditure Framework		
	2018/19	2019/20	2020/21
Operating Expenditure			
Employee related costs	346 853 951	367 829 999	388 632 321
Remuneration of councilors	24 520 597	26 109 898	27 699 196
Bad debts	40 111 215	44 427 332	46 870 835
Depreciation	98 709 204	104 138 215	109 865 828
Repairs and maintenance	32 141 166	35 491 293	37 427 370
Interest paid	-	-	-
Bulk purchases – Electricity	206 054 877.00	223 641 038.00	235 941 291.00
Bulk purchases – Water	32 374 498.00	35 126 328.00	38 112 068.00
Contracted services	110 531 215	120 039 349	126 612 691
Grants and subsidies paid	1 710 991	1 805 095	1 904 375
Other expenditure	61 355 778	64 405 098	67 962 526
Total Operating Expenditure (Nett)	954 363 492	1 023 013 645	1 081 028 501

309.
29.05.18



Figure

2 -Main Operational Expenditure Categories

- Mogalakwena municipality has allocated R 32 141 166 towards Repairs and maintenance. Due to budget constraints the municipality could not allocate 10% of the value of property plant and equipment to repairs and maintenance as required by National Treasury.
- The municipality needs to increase its revenue generation in order to adequately fund its operational requirements, in line with National Treasury directives.

1.6 Capital Expenditure

A breakdown of the capital expenditure for the 2018/19 financial year is attached as pages 442 to 447.

1.7 Annual Budget Tables

The Annual Budget Tables:

Table A1	Budget summary – (attached as <u>page 334</u>)
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification) – (attached as <u>pages 335 to 339</u>)
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote) - (attached as <u>pages 340 to 344</u>)
Table A4	Budgeted Financial Performance (revenue and expenditure) - (attached as <u>page 345</u>)
Table A5	Budgeted Capital Expenditure by vote, standard classification and Funding - (attached as <u>pages 346 to 349</u>)
Table A6	Budgeted Financial Position - (attached as <u>page 350</u>)
Table A7	Budgeted Cash Flows - (attached as <u>page 351</u>)

310.
29.05.18

Table A8	Cash backed reserves/ accumulated surplus reconciliation - (attached as <u>page 352</u>)
Table A9	Asset Management - (attached as <u>pages 353 to 355</u>)
Table A10	Basic service delivery measurement - (attached as <u>page 356</u>)

Budget Related Charts and Explanatory Notes:

Supporting information, charts and explanations of trends and anomalies for each table are reflected as **table SA1 – SA 37** (attached as pages 357 to 420)

Part 2 – Supporting Documentation

2.1 Overview of Annual Budget Process

2.1.1 In undertaking its annual budget process, Mogalakwena Municipality was guided by the following key legislation and documents:

- Municipal Finance Management Act;
- Municipal Systems Act;
- MFMA Circular 55, 58, 59, 66, 67, Annexure to Circular 67, 70, 72, 74, 78, 82, 85, 86, 89 and 91.
- National Treasury instruction 1 of 2013/2014
- Government Gazette 41432 of 09 February 2018

The municipality is always conscious of the fact that the IDP, Budget and other consultative processes have to be undertaken with credibility and honesty in order to ensure good governance and accountability. The Municipality engaged its various stakeholders in preparing the final 2018/19 MTREF budget, namely:

- Communities in all 32 wards
- Sector departments
- Private Sector
- Traditional Leaders
- Ward and PR councillors
- Community based organizations
- NGO's
- Disabled people's groups, women, youth and pensioners.
- Community Development Workers
- Mining Sector

311.
29.05.18

From these community participation and consultation process, the municipality identified and prioritized the needs of the communities. The priorities were later allocated weights and an iteration process was undertaken to find the best fit between the needs prioritized and the funding envelope, consisting of both own revenue and grant funding. As is almost always the case in any budget process, some priorities were identified that cannot be funded in the 2018/19 financial year.

These priorities and their related programmes/ projects are included in the medium term IDP for funding consideration once additional funding becomes available, currently or in the future years.

In all these public consultation and participation process, including internal prioritization and negotiation processes, the Mayor played an active oversight role over the IDP and Budget as required by Section 53(1)(a) of the MFMA, which states that the Mayor of a municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. Under the influence of the Mayor, engagements were also held over a number of days with the Councillors in the budget and prioritization processes. The table below is an extract of the key deadlines relating to the Budget and IDP processes as required by Section 21(1)(b) of the Municipal Finance Management Act, 2003:

MONTH	IDP	PMS	BUDGET
July	Print and distribute final approved IDP. Development of 2018/19 IDP Process Plan that guide the planning, adoption of the plan. Give notice to local community of particulars of the Process Plan.	Conclude annual performance agreements Print and distribute final approved SDBIP	Place approved annual budget and policies on the municipal Web site Print and distribute final approved budget Establish appropriate committees and consultation forums
August	Table to EXCO, council the IDP Process Plan for approval. Conduct stakeholder registration. Consider comments from various stakeholders during 2017/18 IDP Roadshows	Place annual performance agreements on the municipal website Development and submission of annual performance report	Table in council IDP, PMS and budget process plan

312.

29.05.18

MONTH	IDP	PMS	BUDGET
September	Consider proposals received from MEC, if any.(IDP preparation process) Public consultation in terms of Tariffs, Indigent Credit, Credit Control and FBE. Public consultation in terms of CBP.		Implement process plan Commence community and stakeholder consultative process, review inputs, financial models, assess impacts on tariffs and change and consider funding decisions
October	Setting new strategic agenda for the IDP in light of the new focus of Council.	Develop and submit the 1 st Quarter Performance Report to Council and Coghsta	Consolidate community inputs on proposed tariffs.
November & December	Horizontal and vertical alignment with District, Province and other stakeholders begins.		Finalize inputs from bulk resource providers and agree on proposed price increase
January	Horizontal and vertical alignment with District, Province and other stakeholders continues. Departments identify projects/programmes.	Development and consideration by Municipal Manager of the mid-year performance Report. Finalize, and publicize Mid-year report. Table the final 2016/2017 Annual Report to Council.	Note the president's "State of the Nation Address " for further budget priorities
February	Horizontal and vertical alignment with District, Province and other stakeholders continues. Departments identify projects/programmes.	Make the final 2016/2017 Annual Report public for comments.	Note National budget for provincial and national allocations to municipalities for incorporation into budget
March	Finalize Capital Investment Plan and Financial Plan. Tabling of final IDP & budgets before council. Publication of tabled final IDP, budget and invite local communities and stakeholders for comments and inputs.	Submit the final 2016/2017 Annual Report to MPAC. Submit the oversight report on the Annual Report to Council for approval.	Table in council the final IDP, annual budget and all supporting documentation Publicize the tabled final budget

313.
29.05.18

April	Prepare and conduct IDP/Budget roadshows.	Prepare SDBIPs linked to IDP strategies, objectives, KPI's and targets. Develop and submit the 3 rd Quarter Performance Report to Council and COGHSTA	Consultation on tabled final budget, publicize and conduct public hearing
May	Exco recommends adoption of the IDP to Council. Council sitting to approve IDP, and budget.		Consideration of community views and other stakeholders and revise budget if necessary Approval of annual budget, including taxes, tariffs and policies.
June	Submission of approved IDP to the COGHSTA and Provincial Treasury	Prepare final SDBIPs linked to IDP strategies, objectives, KPI's and targets. Submission of final SDBIPs and Annual PAs to Mayor. Mayor approves the SDBIPs	Submission of approved Budget to the COGHSTA, Provincial Treasury and National Treasury

2.1.2 The following policies were taken into account when developing the annual budget:

- The Rates Policy
- Credit Control and Debt Collection Bylaw
- Indigent Policy
- Tariff Policy
- Investment & Cash Management Policy
- Supply Chain Management Policy
- Asset Management Policy and Asset Management Procedure Manual
- Expenditure Management Policy & Procedure Manual
- Policy on Unauthorised, Irregular and Fruitless & Wasteful Expenditure
- Virements policy
- Bad debts write-off policy

314.
29.05.18

2.1.3 Community consultation process with communities and key stakeholders:

Section 22 of MFMA stipulates that immediately after the annual budget is tabled in a municipal council the accounting officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget; and submit the annual budget to National Treasury and the relevant provincial treasury in printed and electronic formats.

Section 23(2) of the MFMA provides further that after considering all budget submissions, the council must allow the mayor an opportunity-

- (a) to respond to the submissions
- (b) if necessary, to revise the budget and table amendments for consideration by council.

Consultations with the representatives took place on the 16 March 2018. Stakeholders who attended the meetings include ward committees, members of the community, Traditional Leaders, community, representatives from youth organizations, sector departments, mining houses and business.

Ward committees and traditional authorities, organized business and sector departments also participate in the IDP representative forum meetings.

Publication of the final budget:

The final notices will be published in local and national newspapers inviting the public to view and inspect the budget documents to enable them to representations in connection with the final budget. The final IDP/ Budget report will be available at the libraries, community halls, tribal offices, SDA's and the MPCC's after adoption by council.

Main concerns and comments raised during the consultation process

After the community consultative processes, the concerns raised by the stakeholders on the following matters were addressed through the final budget:

- LED
- Crime prevention
- Water and sanitation
- Roads and storm water
- Health and welfare
- Refuse and solid waste v
- Housing
- Sports, arts and culture
- Community facilities
- Electricity

315.
29.05.18

- Education
- Land and environmental management
- Transport
- Communication
- Institutional arrangements

The final IDP, Budget and Mayoral roadshows were conducted from 15 April 2018 to 25 April 2018.

2.2 Overview of Alignment of Annual Budget and IDP

The IDP of the municipality is reviewed annually in terms of section 34 of the MSA and section 21 of the MFMA.

2.2.1 Vision of the Municipality

The vision of Mogalakwena Municipality is ***to be the leading, sustainable and diversified economic hub focused on community needs.***

2.2.2 Details of proposed amendments to the Integrated Development Plan

New needs that emerged during the 2017/2018 financial year have been taken into account when compiling the final 2018/2019 IDP.

The final 2018/19 IDP will be presented to council on 29 May 2018 as per the 2018/2019 IDP, Budget and PMS process plan.

2.2.3 Revenue, operating expenditure and capital expenditure aligned to IDP

Developmental services together with Finance department initiated that the first priority must be allocated the higher percentage of funding.

The prioritization criteria and their respective weights for 2018/19 are as follows:

Source of funding	CRR	MIG	DWA	WSIG	INEG
	%	%	%	%	%
Roads and storm water	0	17	0	0	0
Water and Sanitation	100	57.7	100	100	0
LED	0	4.6	0	0	0
Land and Cemeteries	0	0	0	0	0
Electricity	0	3.4	0	0	100
Waste Management	0	0	0	0	0
Other	0	17.3	0	0	0

316.
29.05.18

2.3 Measurable performance objectives and indicators

The measurable performance indicators and objectives for revenue and expenditure (both capital and operating) will be contained in the Service Delivery Budget Implementation Plan (SDBIP) of the municipality and of the Section 57 managers. The SDBIP is designed such that it gives effect to the implementation of the budget, with quarterly performance targets. The final SDBIP will be submitted to the Mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1)(c) of the MFMA will be complied with.

2.4 Overview of budget-related policies

The municipality acknowledges that for the budget to be credible and balanced, it must be supported by policies that guide the revenue and expenditure estimates. To ensure this, the budget related policies have been reviewed to take the socio-economic realities of the communities into account when compiling the 2018/2019 final budget.

2.4.1 Tariff Policy

The Tariff Policy is amended as follows:

Clause 10 on page 12 of the policy changes from reading as follows:

“This Policy will be known as the Tariff Policy and shall commence on 01 July 2017”

to reading as follows:

“This Policy will be known as the Tariff Policy and shall commence on 01 July 2018”

The amended Tariff policy is attached as pages 485 to 497.

317.
29.05.18

2.4.2 Rates Policy

The Rates Policy is amended as follows:

Clause **10.3.3** of the policy changes from reading as follows:

- (aa) *“the joint income of that person and his/her spouse, if any, for the year ended 30 June may not exceed R 63 600 (sixty three thousand six hundred rand) per year or such higher amount as may be determined in the Municipality’s budget;”*

to reading as follows:

- (aa) *“the joint income of that person and his/her spouse, if any, for the year ended 30 June may not exceed R67 416 (sixty seven thousand four hundred and sixteen Rand) per year or such higher amount as may be determined in the Municipality’s budget;”*

The amended Rates Policy is attached as pages 498 to 516.

2.4.3 Debt Collection and Credit Control Policy

There are no amendments to the Debt Collection and Credit Control Policy

The Debt Collection and Credit Control By-Law is attached as pages 517 to 527.

2.4.4 Indigent Policy

The Indigent Policy has been amended as follows:

Clause 9 on page 5 of the policy changes from reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2017

to reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2018”

The amended Indigent Policy is attached as pages 528 to 533.

2.4.5 Investment and Cash Management Policy

There are no amendments to the Investment and Cash Management Policy.

The Investment and Cash Management Policy is attached as pages 534 to 548.

318.
29.05.18

2.4.6 Asset Management Policy

The Asset management Policy has been reviewed and amended as follows:

Paragraph 8.2.2.4.1 (ii) of the Asset Management Policy which read as:

“Investment property will be measured at fair value and transaction costs will be Included in the initial measurement.”

has been amended and now reads as follows:

“Investment property will be measured at cost and transaction costs will be included in the initial measurement.”

Paragraph 8.2.3.1.1 (vi) (a) of the Asset Management Policy which read as:

“MLM subscribes to the fair value model approach and investment property will be accounted for in accordance with GRAP 16, the Accounting Standard on Investment Property. Investment property will be measured at fair value and transaction costs will be included in the initial measurement. “

Has been amended and is now read as follows:

“MLM subscribes to the cost model approach and investment property will be accounted for in accordance with GRAP 16, the Accounting Standard on Investment Property.”

The amended Asset management policy is attached as pages 549 to 593.

2.4.7 Asset Management Procedure Manual

There are no amendments to the Asset Management Procedure Manual.

The procedure manual is attached as pages 594 to 603.

319.
29.05.18

2.4.8 Supply Chain Management Policy

The Supply Chain Management Policy has been reviewed and amended in its entirety. The amendments are too numerous to document in this report.

The reviewed policy is attached as pages 604 to 661.

2.4.9 Irregular, Fruitless and Wasteful Expenditure Policy

There are no amendments to the Irregular, fruitless and wasteful expenditure policy.

The policy is attached as pages 662 to 666.

2.4.10 Expenditure Policy and Procedure Manual

There are no amendments to the Expenditure Policy and Expenditure procedure manual.

The policy is attached as pages 672 to 680.

2.4.11 Virement policy

The Virement Policy has been reviewed and amended as follows:

Paragraph 7.2 of the Virement Policy which read as:

“Virements may not exceed a maximum of 20% of the total approved operating expenditure budget.”

has been amended and now reads as follows:

“Virements may not exceed a maximum of 50% of the total approved operating expenditure budget.”

Paragraph 7.4 of the Virement Policy which read as:

“Virements may not exceed a maximum of 20% of the line item on the approved operating expenditure budget”

has been amended and now reads as follows:

320.
29.05.18

“Virements may not exceed a maximum of 50% of the line item on the approved operating expenditure budget”

The policy is attached as pages 681 to 688.

2.4.12 Bad Debts Write off Policy

There are no amendments to the Bad Debts Write off Policy.

The policy is attached as pages 689 to 706.

2.4.13 Virement, adjustment budgets, and unforeseen and unavoidable expenditure

The mid-year budget and performance review, coupled with the monthly budget statements are considered key documents to assist with the preparation of an adjustment budget and forthcoming budget.

The 2018/19 medium term budget should only be amended by:

Departmental Managers authorizing offsetting operating budget variations within the votes delegated to them, essential allowing variations within the department budget ‘groups’ but not across budget groups. Therefore, for example, manager could transfer allocations within an expenditure group such as ‘Employee costs’. It should be noted that each capital project also represents a vote requiring Council approval to amend.

A mid-year review by the Accounting Officer in accordance with the MFMA, due for completion by January, which would possibly culminate in an Adjustment Budget being presented to Council in the month following the review, if required.

An Adjustment Budget in accordance with the provision of section 28 of the MFMA brought to Council for approval in circumstances where extraordinary events require fundamental and urgent change to budget.

321.
29.05.18

Section 28 of the MFMA, Act No. 56 of 2003 provides as follows:

“(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustment budget-

- (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- (c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- (d) may authorize the utilization of projected savings in one vote towards spending under another vote;*
- (e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonable have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
- (f) may correct any errors in the annual budget; and*
- (g) may provide for any other expenditure within a prescribed framework*

(3) An adjustment budget must be in a prescribed form.

(4) Only the mayor may table an adjustment budget in the municipal council, but an adjustment budget in terms of section (2)(b) to (g) may only be tabled within any prescribed limitations as to timing frequency.

(5) When an adjustment budget is tabled, it must be accompanied by –

- (a) an explanation how the adjustment budget affects the annual budget;*
- (b) a motivation of any material changes to the annual budget;*
- (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
- (d) any other supporting documentation that may be prescribed.*

322.

29.05.18

- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*
- (7) Sections 22(b), 23(b) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.”*

Unforeseen and Unavoidable Expenditure

Section 29 of the MFMA, Act No.56 of 2003 provides as follows:

“(1) The mayor of a municipality may in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

(2) Any such expenditure –

- (a) must be in accordance with any framework that may be prescribed,*
- (b) may not exceed a prescribed percentage of the approved annual budget,*
- (c) must be reported by the mayor to the municipal council at its next meeting, and*
- (d) must be appropriated in an adjustment budget.*

(3) such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorized and section 32 applies.”

2.5 Overview of budget assumptions

2.5.1 Review of external factors

Population migration

Population migration has an impact on the provision of bulk services. As people move into various localities, they demand more services which the municipality did not plan for in advance, for example the demand for RDP houses and free basic services will increase as a result of migration into the municipality.

The expected growth of the population in the Greater Mokopane area and the encompassing Peri-Urban Area is projected to be approximately 5% by 2020.

323.
29.05.18

Although migration from rural to urban areas is expected to a certain degree, the municipality has prepared a document called “State of Readiness” to accommodate the economic growth being brought about by the potential mining sector development. Various infrastructure development is already taking place as follows:

- Water Master plan sector plan - implementation stage.
Functional Phase – under construction at present..
(Additional 3 Mega Liters from WSP (Lepelle Northern Water) will be available as soon as the Department of Water and Sanitation as well as Lonmin Mines to commission the pipeline.)
- Waste water master plan - implementation stage
An amount in excess of R150 million is required to finalize the waste water treatment plant. The process of securing the funds is underway and it is anticipated to be finalized in 3 months.

Employment

One of the key social problems facing the Mogalakwena Municipality is poverty. The unemployment rate in the Municipality is 40.2% of the economically active population (people between the ages of 15 and 64 years). Women, and especially rural women, form the greatest number affected by the lack of job opportunities as well as other social problems. Adding to the unemployment statistics is the increasing number of graduates unable to find employment. The internships offered by the government and private sectors only offer a temporary solution to the problem.

Development of Businesses

The following new business development areas have been approved by council:

- Ext 13 & 6 – Industrial sites are currently being sold
- Ext 13 (Erf 4794) – Site for a regional mall has been approved by council. The municipality is in the process of advertising for call for proposals. The rezoning and other specialist studies will be done will be done by the developer.
- Erf 4699 – Site approved by council for a motor city. The municipality is in the process of advertising for call for proposals. The rezoning and other specialist studies will be done will be done by the developer.
- Portion 197 of 80 – PPR town and townlands 44ks: The municipality will call for proposals during the 2018/19 financial year to appoint a developer. The rezoning and other specialist studies will be done will be done by the developer.

324.
29.05.18

New residential areas

The following new residential areas have been approved or proposed to council:

- Rebone Ext – in excess of 600 sites (farm Steilloop 403 LR) – the municipality is currently engaging with Rural Development and Land Reform for the transfer of the remaining portions of the Farm Steilloop 403 and Steilwater to the municipality.
- Ext 15 & Extension of Mahwelereng – Budget has to be allocated for the Replanning of the area. The municipality needs to advertise for the re-planning, land surveying and environmental impact assessment to be done.
- Sekgakgapeng – 600 Sites - The demarcation of sites is now complete. The Housing Development Agency will formalize the demarcation of the sites.
- Sukses (Weenen) – 300 Sites. Budget is needed for the environmental impact study and Geotech investigations. The land surveyor will do the demarcation of sites.
- Taueatsoala – 1000 Sites (Waiting for Coghsta to do the survey)
- Township establishment 21, 22, 23 (remaining Ext Macala, between Bargain, Ext 17, Zone B and C)
 - Ext 21 & 22 – Budget is required to investigate the extent of the found in the area for the Geotech investigation to be completed. Thereafter township establishment can proceed.
 - Ext 23 – Awaiting Geotech investigation to be completed on Ext 21 & 22. Awaiting budget to be allocated for township establishment.
- Subdivision of Ext 14 – Budget has been requested in the 2018/19 for subdivision.

Bulk services still have to be provided to the approved areas and additional bulk services will be required if the proposed sites are approved by council.

2.5.2 General inflation outlook and its impact on municipal activities

The inflation rate of 5.2%, 5.5% and 5.5% were applied for the 2018/2019 to 2020/2021 financial years consecutively. This is an indication of the rising costs to provide services to the municipality and the municipality will have to look for better methods of cost-reduction and cost-recovery.

2.5.3 Interest rates for borrowing and investment of funds

The municipality has no borrowing obligations. The interest rate for investment of funds is higher than the previous year and this will increase the interest that the municipality generates on investments.

2.5.4 Timing of Revenue Collection

Prepaid meters for Extension 14 and 20 have been installed. The roll out in Extension 19 is half completed. Phola Park has been put on hold for now as the reticulation system has to be completed first. These projects are aimed at reducing the municipality's bad debts and improve revenue generation.

325.
29.05.18

2.5.5 Growth or Decline in Tax Base of the Municipality

There was no significant growth in the tax base as the MPRA has been phased in. The valuation roll that is currently being used is from 01 July 2013 to 30 June 2017, the annual supplementary valuation roll is currently in process.

2.5.6 Collection Rates

The average collection rate for the past financial year was 66.86% but should be improved to be sustainable over the long-term.

2.5.7 Price Movements

The municipality has received proposals from Lepelle-Northern Water and NERSA indicating price increases in the purchase price for bulk water and bulk electricity of 8 % and 7.32% respectively.

2.5.8 Average salary increases

An 8% increase on salaries is budgeted for in the final budget. The wage negotiations are still in progress.

2.5.9 Industrial relations, climate reorganization and capacity building

The industrial sites that are currently being sold by the municipality will result in an expansion of the industrial area. If a significant number of the sites are sold, it will result in an enormous injection for the area in respect of services and job creation. We however need to conduct a land audit in order to determine which land belongs to the municipality and can be used to plan for an industrial supply park. Funds will be needed to be budgeted for in the 2018/19 budget in order to conduct the land audit.

2.5.10 Trends in Demand for Free or Subsidized Basic Services

There is a growth 5.7% in the population which is having an effect on the households. Another factor that influences the increase in the demand for free or subsidized basic services is the migration of people into the municipal are. Anglo Platinum Mines is expanding and has purchased land from the municipality in extension 14 in order to erect housing for their employees. Services are in the process of being installed and the mine has requested for additional sites that they require.

326.
29.05.18

2.5.11 Changing Demand Characteristics

The demand for services exceeds available resources and the municipality therefore cannot meet all the needs of the communities at this stage. Some of the needs that cannot be met by the municipality in the 2017/2018 financial year have been included in the 2018/2019 and 2019/2020 financial years.

2.5.12 Trends in demand for Free or Subsidized Basic Services

Although the free basic electricity was phased out for non-indigent consumers in the 2010/11 financial year, this has not improved the municipality's affordability to provide services to all its consumers. From the 2018/2019 financial year the 6kl free basic water will only be provided to indigents and not to all consumers.

2.5.13 Impact of National, Provincial and Local Policies

The municipality prepared the budget with consideration of all required legislative prescripts, MFMA circulars and other policy imperatives.

2.5.14 Ability of the Municipality to Spend and Deliver on the Programme

Capital projects will be implemented from grant funding but there are insufficient funds available for adequate maintenance of infrastructure. This may have a negative impact on the infrastructure as it may deteriorate rapidly in the future.

During the 2016/17 financial year, R139 million was received from MIG, of which approximately 100% was spent. For the 2017/18 financial year, 60.5% of the R159 million allocation has been spent as at 21 May 2018.

During the 2016/17 financial year, R 156 million was received from RBIG, of which 98% was spent. For the 2017/18 financial year 64.9% of the R150 million allocated has been spent as at 21 May 2018.

2.5.15 Implications of Restructuring and other Major Events into the Future

Job descriptions for the municipality are being reviewed and the process of job evaluation is in progress. The results of the job evaluation process will have financial implications on the 2018/2019 budget.

The municipality is not aware of any other restructuring and/or major events that will affect the municipality in the foreseeable future.

327.
29.05.18

2.6 Overview of budget funding

Section 18(1) of the MFMA requires the budget of a municipality to be funded from-

- (a) realistic anticipated revenue to be collected;
- (b) cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- (c) borrowed funds, but only for the capital budget referred to in section 17(2) of the MFMA.

Section 18(2) of the MFMA requires the revenue projections in the budget to be realistic, taking into account-

- (a) projected revenue for the current year based on collection levels to date; and
- (b) actual revenue collected in the previous financial year.

This budget has been prepared taking into account the requirements of the abovementioned section. Revenue was estimated using a collection rate of 85% to billings. The capital budget was limited to the gazetted funding. An adjustment budget will be compiled for council consideration once more funding becomes available from either internal and/or external sources.

2.6.1 Investments

Investments held represent cash backed accumulated surpluses and the unspent conditional grants and receipts.

The Table below indicates the investment particulars by maturity as at 15 May 2018:

Institution	Investment	Monetary value
		'000
ABSA	Short term	0
FNB	Short term	0
Nedbank	Short term	120 000
Standard Bank	Short term	0
Total		120 000

The total amount invested externally as at 15 May 2018 amounts to R120 million which is R90 million less than the investments as at 15 May 2017.

The interest earned from these investments would be utilized to fund the operating budget. The capital replacement reserve is also backed by the investments.

Supporting **Table SA 16** is attached as page 381.

328.
29.05.18

2.6.2 Estimated debtors collection levels

A debtor's collection rate of 85% of levied amounts is estimated for the 2018/19 financial year.

2.6.3 Planned proceeds from sale of assets

The municipality developed 1 200 residential stands for resale in Extension 12. To date the municipality has sold 866 stands. 110 of the stands have been sold to the mine for the construction of a private hospital and an old age home. A further 100 stands have been sold to the mine for housing for their employees.

2.6.4 Planned proceeds from lease of assets

Proceeds from rental of facilities and equipment are estimated at R 1 611 384.

2.6.5 Planned use of bank overdrafts

There is a possibility that Mogalakwena will utilize a bank overdraft in the 2018/19 financial year to fund part of its budget if the revenue generation does not improve.

2.6.6 Use of previous year's cash backed accumulated surpluses

After the compilation of the 2017/18 financial statements, if there is any cash surpluses they will be addressed in the adjustment budget 2018/19.

2.7 Expenditure on allocations and grants programmes

Provision is made in the 2018/19 budget for the following statutory and reserve fund contributions:

- Capital Replacement Reserve : R 7 000 000
- Provision for bad debt reserve : R 40 111 215

Contributions in total amount to R 47 111 215 and this represents 4.94% of total operating expenditure. The working capital reserve makes provision for non-payment of services.

Allocations and grants made by the municipality

Funds have been allocated to the following allocations and grants in the 2018/19 financial year:

Assistance to indigents in distress

Assistance to indigents deserving students

Community development worker support

329.
29.05.18

Discretionary Fund Mayor

Sport events

Mayoral Special Programmes

Free burials paupers indigent

Free Basic Services for indigents - Water
- Electricity
- Sewer
- Refuse
- Assessment Rates

2.8 Councillor and employee benefits

The following information with regard to the salary budget which forms part of the operating budget must be taken into consideration by council before approving the budget:

- Provision for an 8% increase was made for both councilors and officials.

No new positions were provided for in the 2018/2019 salary budget.

Disclosure of salaries and allowances and benefits is attached as supporting **Table SA 22 and 23** pages 387 to 389.

2.9 Monthly targets for revenue, expenditure and cash flow

The disclosure on monthly targets for revenue, expenditure and cash flow is attached **Table SA 25 to SA 30** as pages 390 to 396.

2.10 Annual budgets and SDBIP

Section 53(1)(c)(ii) of the MFMA Indicates that the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

The SDBIP will be submitted to the mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1)(c) of the MFMA will be complied with.

2.11 Contracts having future budgetary implications

Contracts having future budgetary implications are reflected in **table SA33** attached as page

.

330.
29.05.18

2.12 Capital expenditure details

A combination of grant funding and own funds will be used to fund the capital budget. The detailed final capital budget over the 2017/18 MTREF is attached as pages 440 to 447.

2.13 Legislation compliance status

This budget has been prepared in accordance with the requirements of the Municipal Finance Management Act, the Municipal Budget and Reporting Regulations and the Municipal Systems Act. The acting municipal manager has complied with the new budget format when compiling the 2018/19 to 2020/21 MTREF.

2.14 Other supporting documents

Circular 70, 72, 74, 78, 85, 86, 89, 91 and Instruction 1 of 2013/2014 as issued by National Treasury are complied with in the preparation of the 2018/2019 to 2020/2021 budget. Circular 91, being the latest budget circulars are attached as pages 707 to 737.

331.
29.05.18

2.15 Municipal Manager's Quality Certificate

Quality certificate

I MM Mthombeni, Acting Municipal Manager of Mogalakwena Municipality, hereby certify that the 2018/2019 final budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the final budget and supporting documents are consistent with the final Integrated Development Plan of the municipality.

Print Name : MM Mthombeni

Acting Municipal Manager of: Mogalakwena Municipality (LIM367)

Signature : _____

Date : 25 May 2018